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Australia

Sugar

Semi Annual

2005

Approved by:
Kathleen Wainio, Agricultural Counselor
U.S. Embassy

Prepared by:
Mike Darby, Agricultural Specialist

Report Highlights:
Australian sugar production is forecast to decline to 5,200 TMT in 2005/06 while exports are also expected to fall in-line with production. Forecast lower sugar cane area is the primary reason for declining production and exports. Post expects sugar cane area to continue to fall beyond the forecast period.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Canberra [AS1]
[AS]

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SECTION ONE: SITUATION AND OUTLOOK

The Australian sugar cane industry continues to remain under financial pressure due to low sugar prices. ABARE recently forecast the price of sugar for 2005/06 to fall and provided poor outlooks for the prospects of sugar cane producers over the forecast period. Restructuring of the Australian sugar industry continues to make progress with the Australian government recently agreeing to additional spending following agreement on industry reform at the local level.

As a result of the poor outlook for sugar prices, post has revised the forecast planted area for 2005/06 downwards significantly. Post anticipates that this downward trend, which began with a fall in the previous year, represents the medium to long-term outlook for the Australian sugar industry.

Production of sugar cane in 2005/06 is forecast to increase slightly, despite falls in the total area of cane harvested. A higher cane yield following last year's serious rust outbreaks is expected to allow cane yields to return to levels more reflective of the long-term average.

Sugar production for 2005/06 is forecast to decline slightly despite the increase in cane crushed. A return to more normal weather conditions following persistent drought is expected to decrease the Commercial Cane Sugar (CCS) content of the 2005/06 crop.

Exports of sugar for 2005/06 are expected to fall slightly in-line with the expected fall in sugar production. A strong Australian dollar and lower world sugar prices are also expected to place downward pressure on exports.

SECTION TWO: STATISTICAL TABLES

PSD Table
Sugar, Centrifugal

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Beginning Stocks	662	662	540	543	431	403	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	5090	5178	5255	5388	5324	5200	(1000 MT)
TOTAL Sugar Production	5090	5178	5255	5388	5324	5200	(1000 MT)
Raw Imports	3	3	3	3	3	3	(1000 MT)
Refined Imp.(Raw Val)	7	7	7	7	7	7	(1000 MT)
TOTAL Imports	10	10	10	10	10	10	(1000 MT)
TOTAL SUPPLY	5762	5850	5805	5941	5765	5613	(1000 MT)
Raw Exports	3932	4017	4084	4248	4121	4100	(1000 MT)
Refined Exp.(Raw Val)	140	140	140	140	140	140	(1000 MT)
TOTAL EXPORTS	4072	4157	4224	4388	4261	4240	(1000 MT)
Human Dom. Consumption	1150	1150	1150	1150	1150	1150	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	1150	1150	1150	1150	1150	1150	(1000 MT)
Ending Stocks	540	543	431	403	354	223	(1000 MT)
TOTAL DISTRIBUTION	5762	5850	5805	5941	5765	5613	(1000 MT)

PSD Table
Sugar Cane for Centrifugal

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Planted	0	0	0	0	0	0	(1000 HA)
Area Harvested	415	448	420	420	410	410	(1000 HA)
Production	37454	36884	38246	37483	38523	38000	(1000 MT)
TOTAL SUPPLY	37454	36884	38246	37483	38523	38000	(1000 MT)
Utilization for Sugar	37394	36824	38186	37423	38463	37940	(1000 MT)
Utilizatn for Alcohol	60	60	60	60	60	60	(1000 MT)
TOTAL UTILIZATION	37454	36884	38246	37483	38523	38000	(1000 MT)

SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

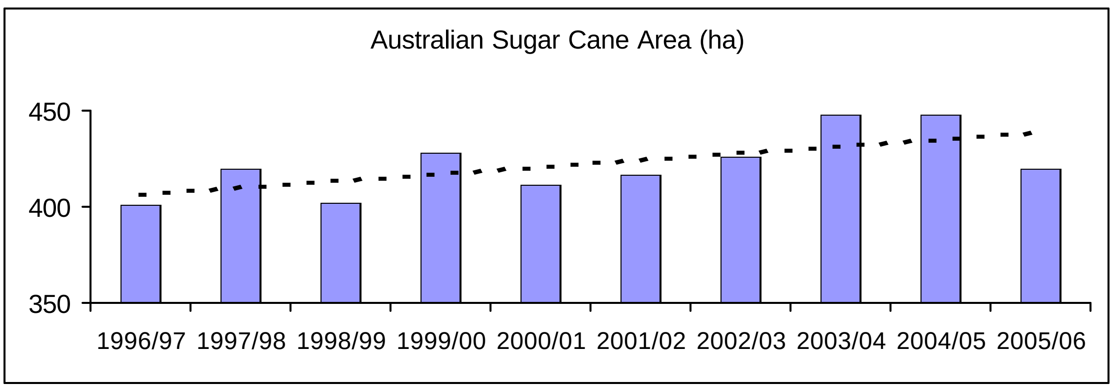
Sugar Cane for Centrifugal

Area (Cut for Crushing)

Sugar cane area is forecast to fall to 410,000 hectares in 2005/06, unchanged from Post's previous report (# AS 5029) and down 10,000 hectares from the estimate for the previous year. A forecast decline in sugar prices in 2005/06 is likely to see the Australian sugar industry remain under continued financial pressure and this is expected to place downward pressure on sugar area.

Sugar can area harvested in 2004/05 is estimated at 420,000 hectares unchanged from Post's previous report. This figure remains in line with the long-term average according to Australian Bureau of Agriculture and Resource Economics (ABARE) historical data.

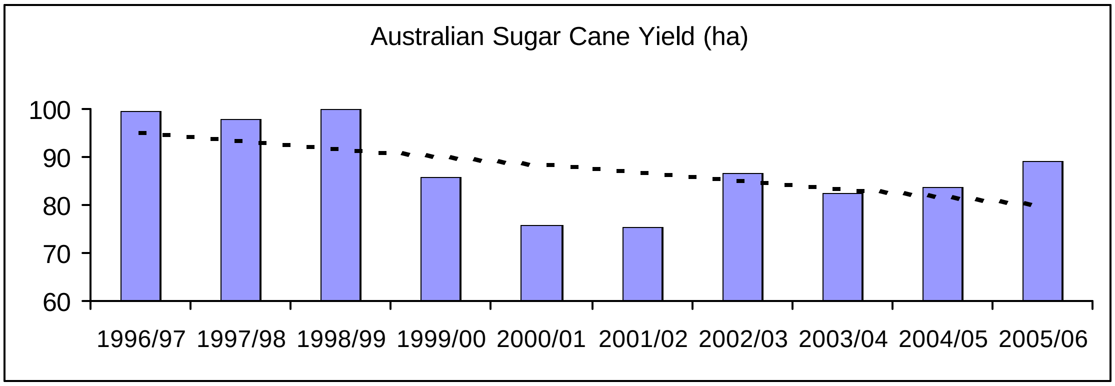
Post has revised the 2003/04 figure for planted area upwards sharply to 448,000 hectares. This figure is in line with the recently revised Australian Bureau of Statistics (ABS) figure and represents an equal record with the previous year. Post advises that this figure is likely to remain a record area for the foreseeable future and that current forecasts likely mark the beginning of a long-term decline in planted area for the Australian sugar cane industry. Lower prices, urban encroachment and mill closures are expected to place downward pressure on sugar cane area for the medium to long term.



Source: ABARE Data (July-June year)

Yield

Sugar cane yield (cut for crushing) in 2005/06 is forecast at 93 MT/ha, up three percent on the previous year and in-line with the long-term average. The return to more normal production conditions is expected to mark the reversal in the trend of declining yields caused by rust outbreaks and drought experienced in the second half of the last decade. Estimated cane yield for 2004/05 is 89 MT/ha.

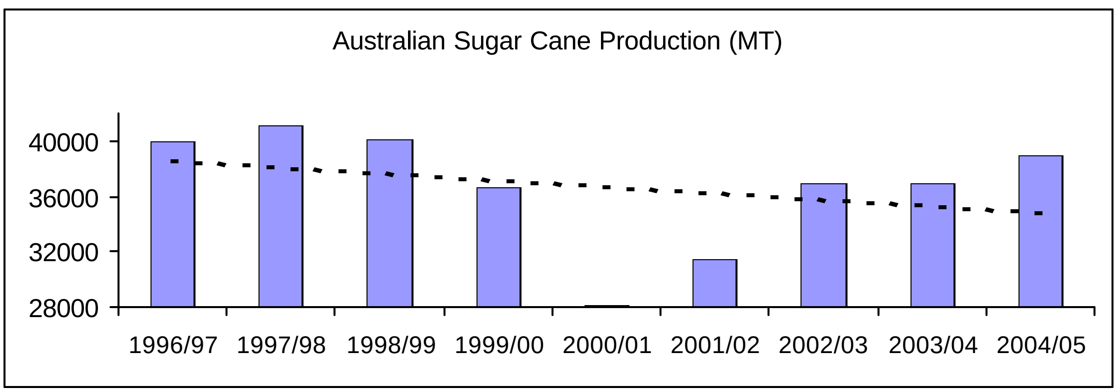


Source: ABARE Data (July-June year)

Cane Production

Sugarcane production is forecast at 38,000 TMT. Improved yield is expected to see total cane production increase despite reduced cane area. This figure assumes average seasonal conditions.

Estimated cane production for 2004/05 is 37,483 TMT, down slightly on Post's previous report. According to industry reports, persistent dry conditions in the key growing areas of central Queensland lowered overall production.

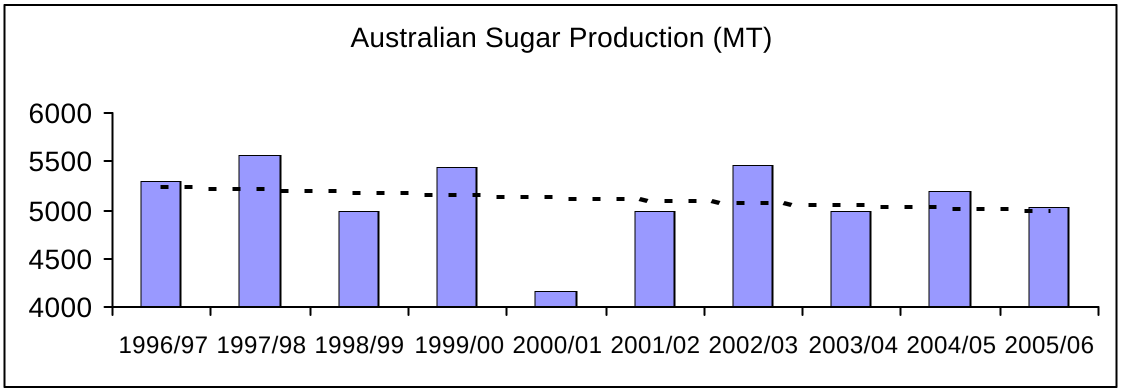


Source: ABARE Data (July-June year)

Sugar Production

Centrifugal sugar production for 2005/06 is forecast at 5,200 TMT, down slightly from the revised estimate for the previous year. Post has assumed cane production and a CCS content in line with the long-term average.

Estimated centrifugal sugar production in 2004/05 has been revised upward to 5,388 TMT. This figure is in-line with industry data and with ABARE data using the conversion factor of 1.037 to convert ABARE's "actual metric tonnes" to the "IPS" equivalent.



Source: ABARE Data (July-June year)

Prices

ABARE's forecast sugar price for 2005/06 is forecast at 9.9 USc/lb, down on the revised estimate of 10.5 Usc/lb estimated for the previous year. A general decrease in price is a driving force behind the forecast decline in cane area.

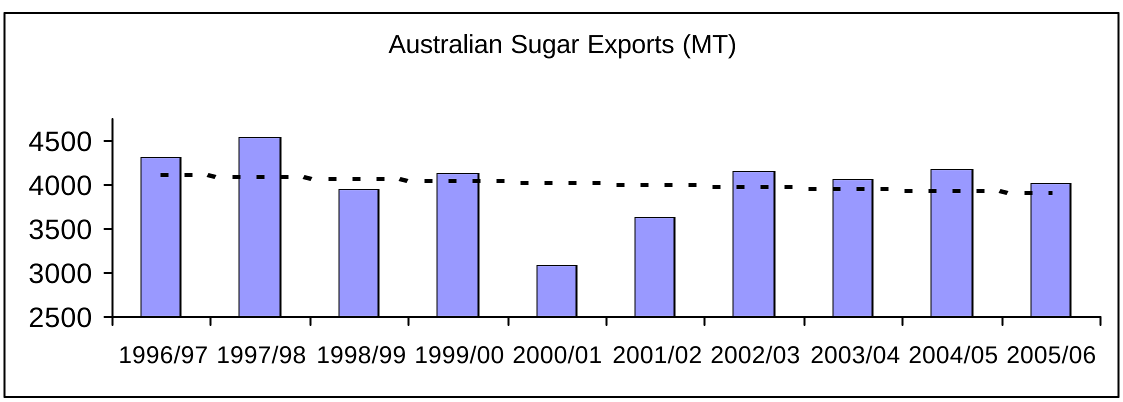
Trade

Exports

Sugar exports for 2005/06 are forecast at 4,240 TMT, down from the previous year and in line with the forecast fall in production. Forecast lower production is expected to reduce the availability of sugar for export. A strong Australian dollar and forecast lower world sugar prices are also expected to place downward pressure on exports.

Sugar exports for 2004/05 are estimated at 4,388 TMT, revised to reflect ABARE's most recent report. The increase is partly driven by the increase in estimated production.

Sugar exports for 2003/04 have been revised upwards slightly in line with official ABS data. Confidentiality restrictions place a delay on the reporting of Australian sugar exports. According to ABS data, Malaysia and Korea received over half of Australia's sugar exports in 2003/04. Japan and Canada were the next largest markets, both receiving over ten percent of the total.



Source: ABARE Data (July-June year)

Policy

Free Trade Agreements

Australia implemented Free Trade Agreements (FTA's) with Singapore in 2003 and with Thailand and the United States in 2005. Additional FTAs have been proposed or are being negotiated with Malaysia, the Association of Southeast Asian Nations, China and the United Arab Emirates.

The Australia-US. FTA was implemented on January 1, 2005. Under the agreement, Australian sugar access to the United States remains unchanged, with raw cane sugar entering the United States under a tariff-rate quota (TRQ). The Australian sugar industry strongly objected to the omission of sugar in the Australian-US. FTA. To compensate the industry, the Commonwealth Government provided additional funds to the Sugar Industry Reform Program, a measure which was implemented in 2002.

Sugar Industry Reform

To address structural and financial difficulties in the Australian sugar industry, the Commonwealth announced a Sugar Industry Reform Program (SIRP) in September 2002. Under the SIRP, a total of A$444 million of assistance is being provided to the sugar industry over a multiple-year period.

Under the SIRP, assistance is being provided through a combination of measures to help the industry through immediate short-term difficulties and longer-term measures to help the industry undertake necessary reform. SIRP funding is being used for sustainability grants, re-establishment grants, and regional and community development projects.

The Australian Federal Government recently announced A$73 million payment to sugar growers and mills as part of the ongoing SIRP program. This announcement follows the acceptance of regional reforms outlined by the SIRP.